

PASSION.PRECISION.PURITY.



2020 second-quarter and half-year results

August 6, 2020



Agenda

1

Highlights

Mike Allison, CEO

2

Second-quarter and half-year 2020 financial review

Stephan Bergamin, CFO

3

Conclusion, priorities and outlook for remainder of 2020

Mike Allison, CEO



Q2 and H1 growth driven by ongoing recovery in semiconductors; EBITDA margin near 30% as operational improvements continue

COVID-19 pandemic successfully mitigated so far: plans in place to secure business continuity, VAT employees fully engaged

Sequential quarterly sales up in all business segments except Industry; year on year up in Valves (Display, Semi) and Global Service

H1 results reflect continued focus on cost and technology innovation

Further market share gains, supported by high number of spec wins

EBITDA margin recovery continues; H1 20 margin above H2 19 and 460 bps above H1 2019

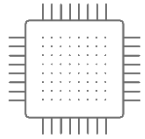
Positive market expectations for remainder of 2020; strength of recovery depends on COVID-19

EBITDA margin recovery continues in H1 2020

Segment (% of total net sales)	VAT Group AG (100%)	Valves (80%)	Global Service (17%)	Industry (3%)
H1 net sales	CHF 319m	CHF 256m	CHF 55m	CHF 7m
H1 EBITDA margin ¹	29.7%	31.2%	40.7%	15.3%

¹ Margin based on segment net sales

Market trends remain mixed across our major business units in 2020



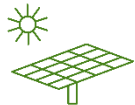
Semiconductors

- WFE investments continue to recover, driven by memory; foundry and advanced logic
- Technology advances continues; industry preparing for next nodes
- H2 outlook remains positive with strength in foundry, NAND and China



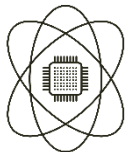
Display

- Healthy demand for mobile and flexible OLED displays in H1, fading in H2 with overcapacity
- Investment conditions challenging in LCD investment as cycle fades



Solar

- Downturn in 2020 as COVID-19 uncertainty and overcapacity delay investments
- Migration starting from PERC to Heterojunction in H2
- Expect H2 to be stronger than H1



Industry & Research

- R&D projects remained on track in H1 but industrial and automotive slower due to Covid19
- Growth prospects in several industrial applications, including batteries, medical, etc.
- Optimistic outlook for government research spending in 2020



Innovation, business continuity and customer focus – No. 1 market position further strengthened

Market share All Industries ¹

Total vacuum valve market size

2015: USD 804m

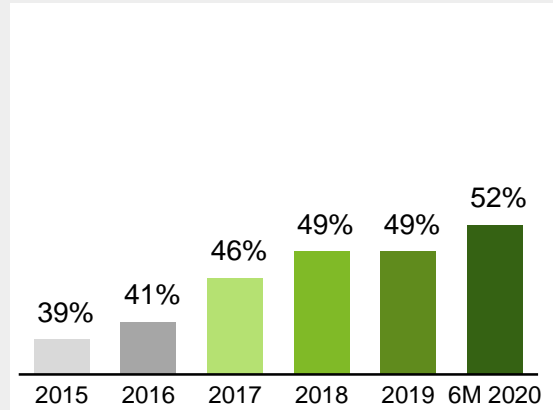
2016: USD 969m

2017: USD 1'179m

2018: USD 1'138m

2019: USD 874m

6M 2020E: USD 472m



Market share Semi & Related ²

Total vacuum valve market size

2015: USD 531m

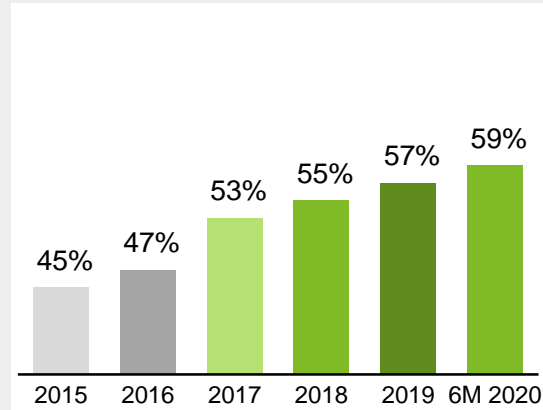
2016: USD 688m

2017: USD 855m

2018: USD 807m

2019: USD 587

6M 2020E: USD 351m



Market share Semi ³

Total vacuum valve market size

2015: USD 350m

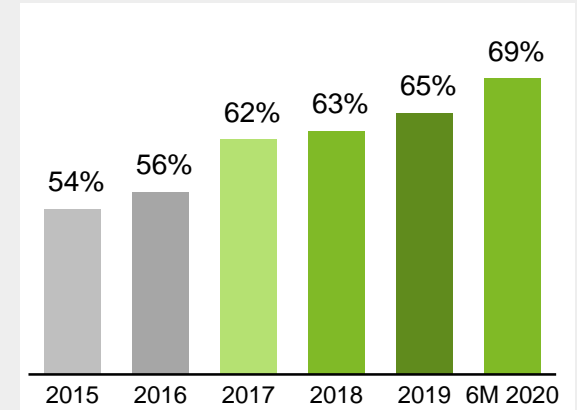
2016: USD 400m

2017: USD 539m

2018: USD 502m

2019: USD 369m

6M 2020E: USD 238m



Source: VLSI Research July 2020, based on 1Q20 actual plus 2Q20 estimated

¹ All Industries includes semi & related, general vacuum.

² Semi & related includes Semiconductors, Displays, Solar, LED Lighting, Hard Disk Drive.

³ Semi includes Semiconductors, LED and HDD



Agenda

1

Highlights

Mike Allison, CEO

2

Second-quarter and half-year 2020 financial review

Stephan Bergamin, CFO

3

Remainder of 2020 priorities, conclusion and outlook

Mike Allison, CEO

Half-year 2020 – Group key figures

Third party net sales
CHF 319 m
+21%

EBITDA
CHF 95 m
+44%

EBITDA margin
29.7% (+4.6pp)
EBIT margin
23.3% (+7.0pp)

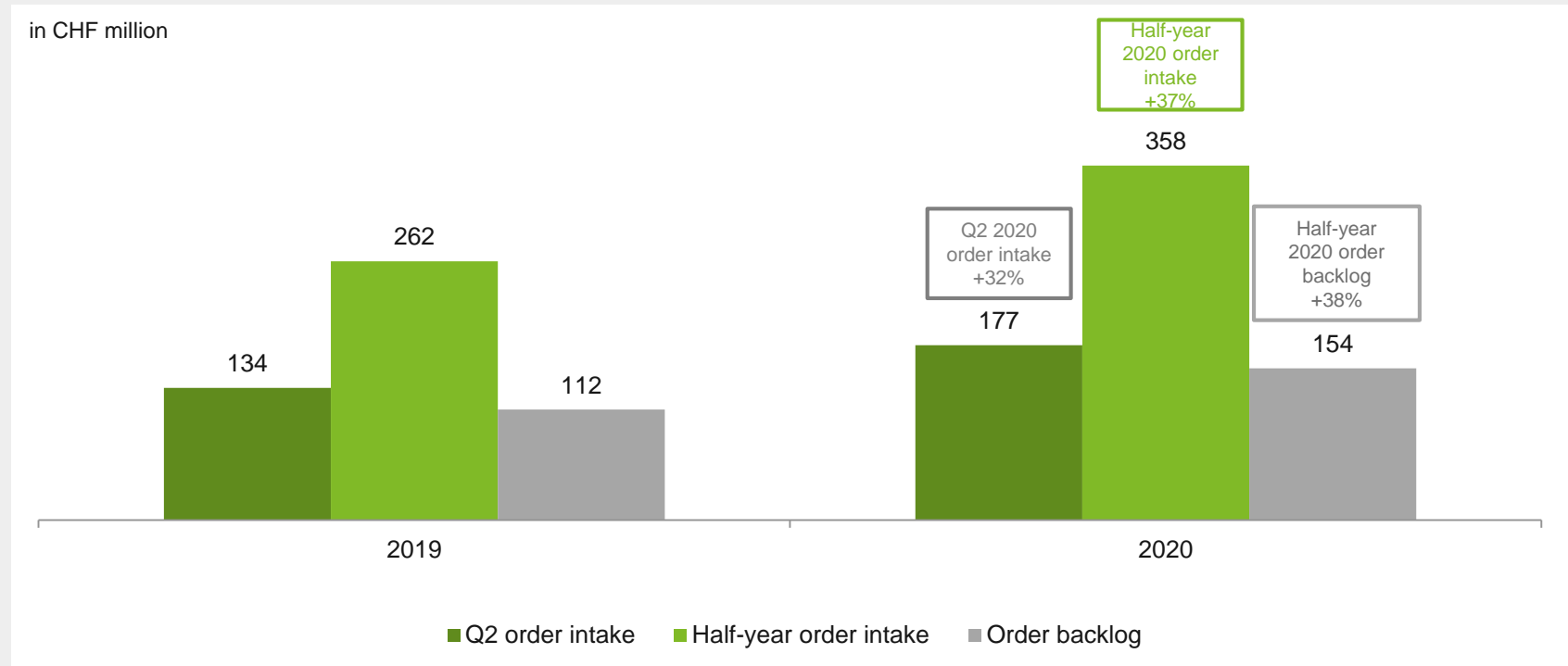
Free cash flow
CHF 40 m
-12%

Free cash flow margin
12.5% (-4.7pp)
Free cash flow
conversion
42% (-26.5pp)

LTM¹ Net debt/EBITDA
1.3x

¹ LTM: Last Twelve Month

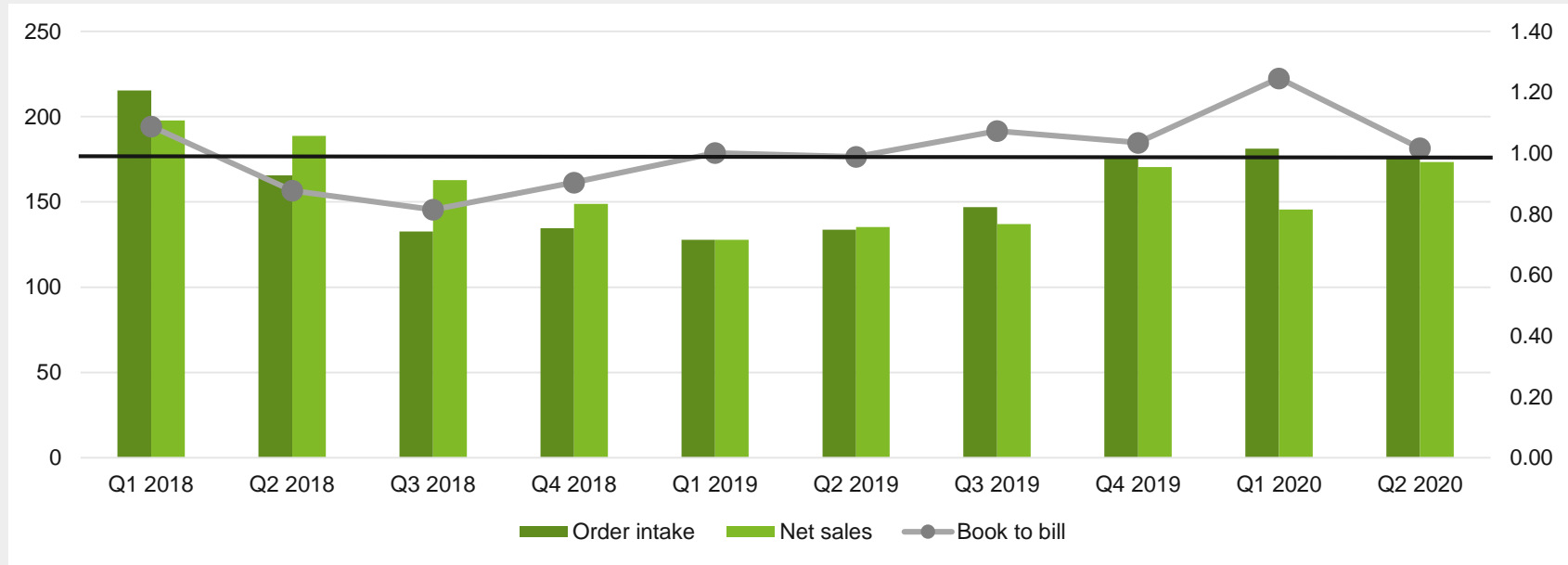
H1 2020 order intake up 37% as market recovery and share gains continue



¹Order backlog as of June 30, 2019 and June 30, 2020



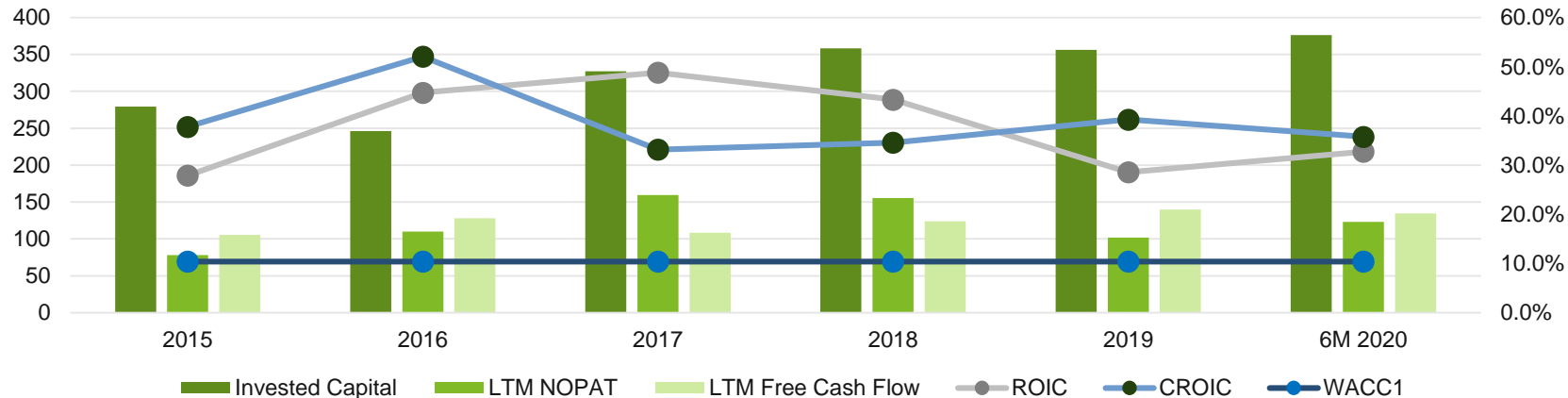
Recovery continues with strong order and sales development



- Orders at high level following recovery that began in H2 2019
- Book-to-bill ratio at or above 1x for sixth consecutive quarter



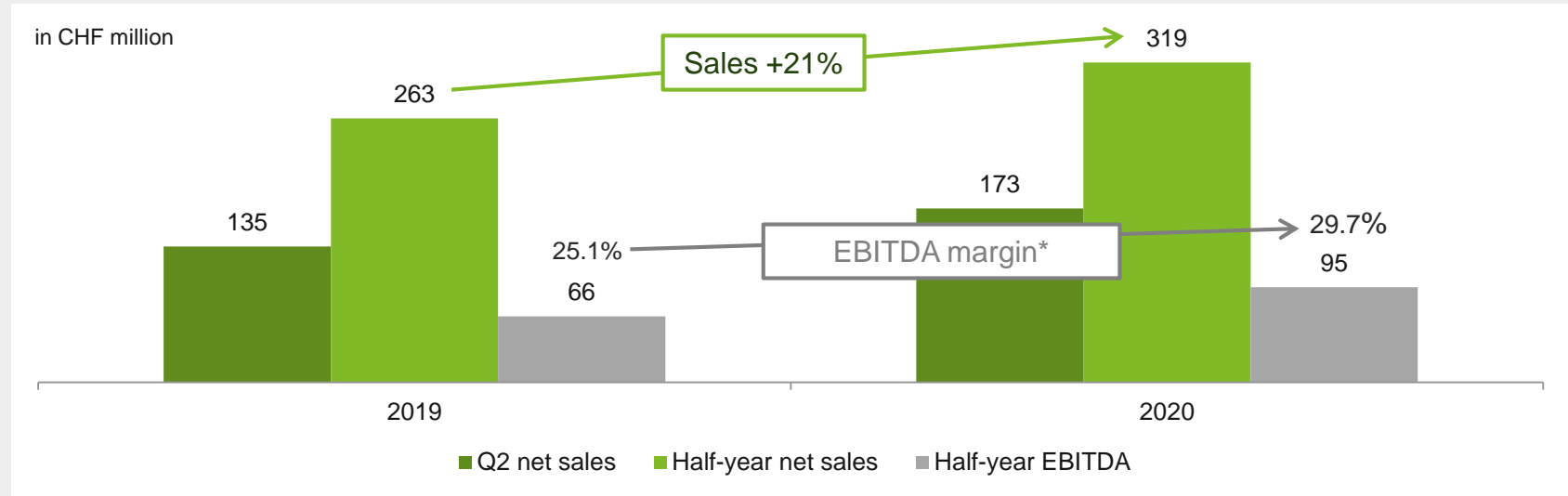
VAT's business model generates consistently high economic profit on invested capital



- Return on invested capital (ROIC) and cash return on invested capital (CROIC) both substantially above VAT's 10.4% weighted average cost of capital (WACC) (from 2019 impairment test)
- Sustainable generation of economic profit over the cycle benefits all VAT stakeholders

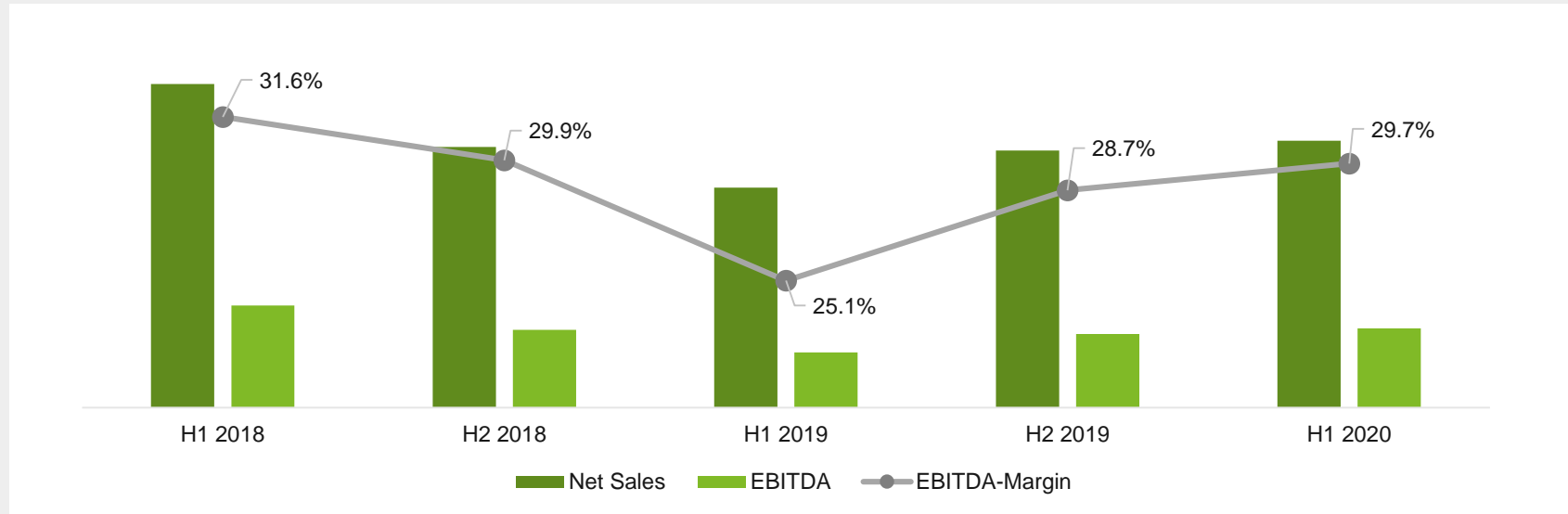
• ROIC calculated as NOPAT over invested capital
 • CROIC calculated as Free cash flow over invested capital
 • Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization (excluding amortization of acquired technology and customer relationships) plus finance income (including net foreign exchange gains/losses from financing activity and excluding other finance income) less taxes at the average Group rate of 15.8% (previous year 17.6%).

EBITDA margin growth from higher volumes and continued operational improvements



- Higher topline results positively affect half-year EBITDA and EBITDA margin
- Focus on cost, production efficiency is key to VAT's flexible operating model

Margin recovery continues despite COVID-19 pandemic



- Semiconductor recovery that started in H2 2019 continues
- EBITDA margin continues to improve sequentially and year-on-year

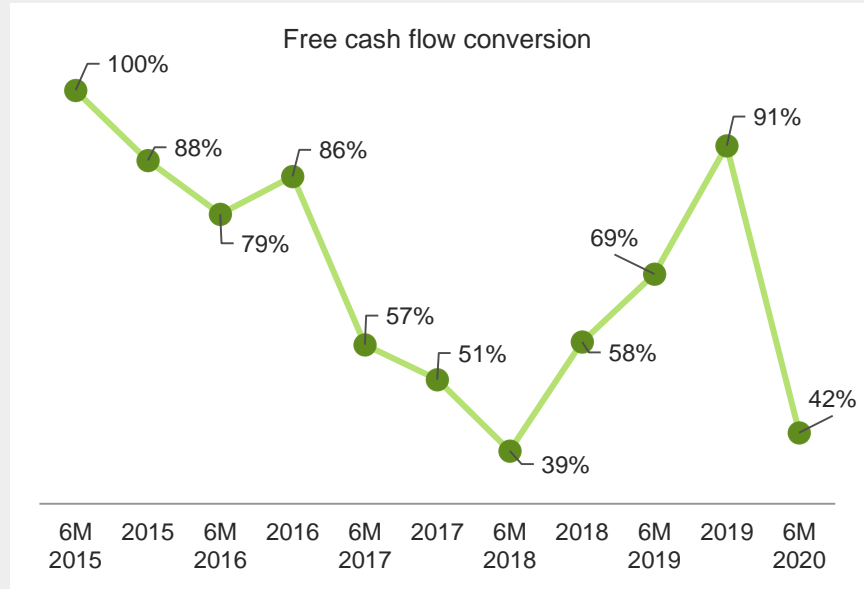
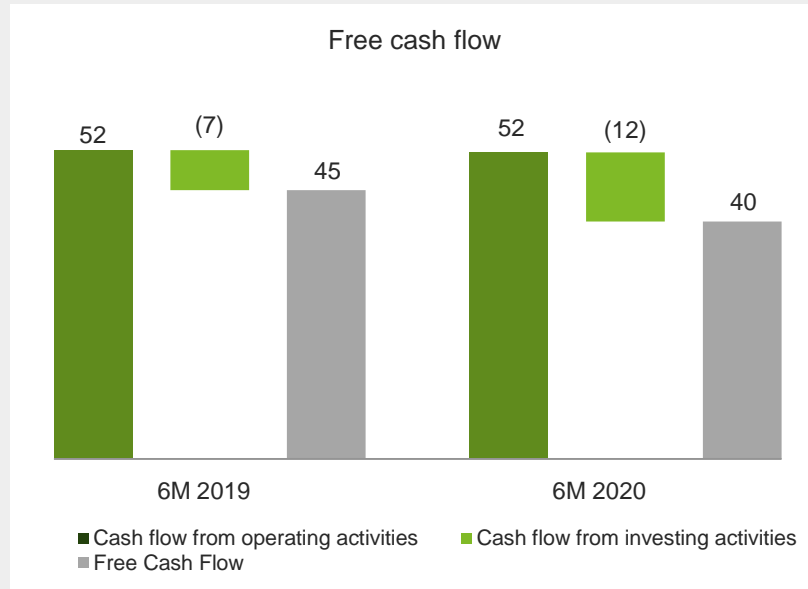
Net income increases on higher EBITDA, lower depreciation and reduced taxes

in CHF million	6M 2020	6M 2019	Change
EBITDA	94.8	65.9	43.8%
Depreciaton and amortization	-20.4	-23.0	-11.3%
EBIT	74.4	43.0	73.2%
Finance net	-9.9	-4.6	116.8%
EBT	64.5	38.4	68.0%
Income tax expenses	-8.8	-13.5	
Effective tax rate	-13.6%	-35.2%	
Net income	55.7	24.9	124.0%

- Lower depreciation as a result of lower capital expenditure in 2019
- Lower tax charge in 2020 the result of tax reform-related costs in 2019 and some recognized loss carryforwards outside Switzerland in 2020

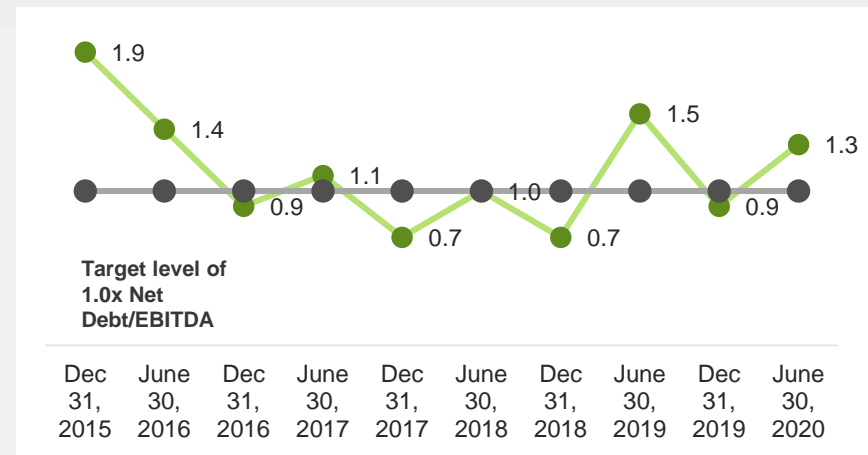
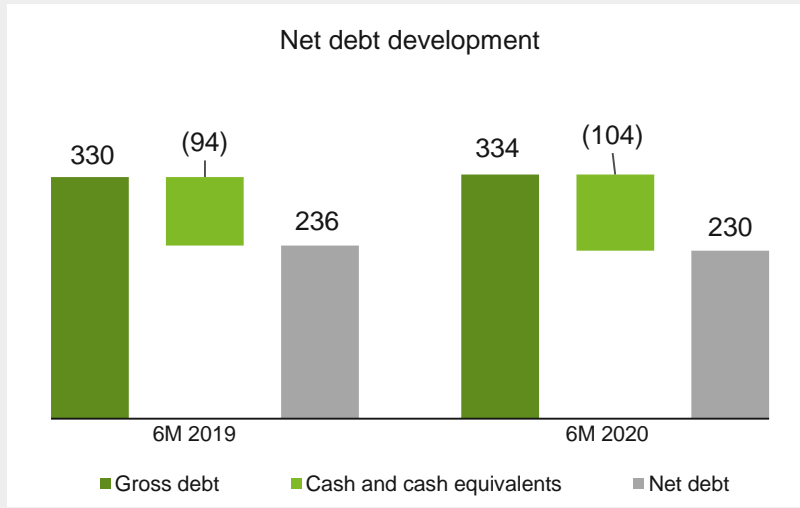


Growth-driven NWC requirements impacted free cash flow generation in H1 2020



- Trade working capital at 27% of sales, substantially above medium-term target of 20%
- Capital expenditures above very low 2019 levels

Net debt largely unchanged vs 2019; seasonally higher due to May dividend payment



- Stable debt situation, liquidity at comfortable level
- Gross debt on June 30, 2020 comprises CHF 200 million bond and partial use of CHF 300 million RCF

- Mid-year leverage of 1.3x seasonally above 1.0x target but lower than in 2019
- Full-year leverage expected to fall below 1.0x level in line with previous years



Summary of H1 2020 financial results and priorities for rest of 2020

Achievements H1 2020

- Continued EBITDA margin recovery, successful mitigation of COVID-19 impacts, and further improvements in cost and productivity (e.g., ERP standardization)
- Free cash flow in line with expectations, reflecting NWC needed to support growth
- Capex above 2019 levels reflecting Malaysia ramp-up and investments in Switzerland

Finance priorities for H2 2020

- Continued focus on cost and productivity
- Trade working capital in line with production ramp, mid-term target of 20% of net sales remains
- Disciplined approach to capex, expected around CHF 30 million
- Drive ERP improvement project across the business to capture more value



Agenda

1

Highlights

Mike Allison, CEO

2

Second-quarter and half-year 2020 financial review

Stephan Bergamin, CFO

3

Remainder of 2020 priorities, conclusion and outlook

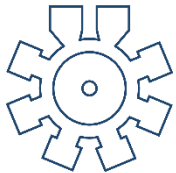
Mike Allison, CEO

Our three medium-term growth dimensions remain in place



1st dimension: End market growth

- Medium-term digitalization growth trends such as IoT, AI, AR remain in place
- Hyperscale applications, cloud storage support memory recovery in 2020; foundry remains healthy
- 5G build-up gaining steam, paving the way for new applications



2nd dimension: Equipment growth

- Growth in equipment investments expected to continue as memory supply and demand balance stabilizes during 2020
- Technology advances now progressing in all segments (> 100 level NAND, 5nm logic)



3rd dimension: Vacuum valve and vacuum component growth

- Record number of new platforms and applications being developed
- EUV lithography firmly established in small nodes, ecosystem requires more vacuum
- “Zero” particle environments drive opportunities for VAT motion components and modules

Macro uncertainties remain, but semiconductor equipment visibility is improving with high single-digit growth expected in 2020

Market	2019	2020
Semiconductor IC ¹	-13%	+6%
Semiconductor Capex ¹	-3%	+0.5%
Semiconductor WFE ¹	-8%	+9%
Semiconductor Vacuum WFE ¹	-13%	+9%
Display Equipment ²	-25%	+20%
Solar Cells Capex ³	+4%	-6%
Solar Fabrication Equipment ¹	-34%	-26%

Semiconductor

- Equipment order visibility improving but COVID-19 uncertainty remains
- Growth driven by advanced logic/foundry with broader memory pickup expected in H2

Display

- Equipment had a strong H1 in 2020 but this is slowing due to overcapacity and LCD investment cycle ending

Solar

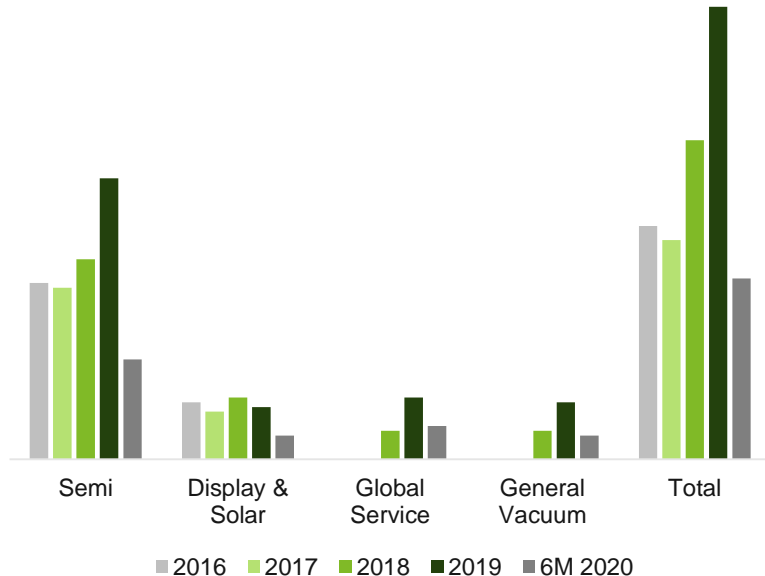
- Slowdown in H1 2020 due to COVID-19 but we expect improvements in H2

¹ VLSI research July 2020; ² DSCC July 2020; ³ PV-Tech Solar Media July 2020



Investment in innovation remains VAT's key to future growth and market share gains

Spec win development



- VAT continues to invest in innovation and the development of leading-edge technologies
- Further increase in R&D personnel, focus on new product adjacencies such as modules, motion components and new SMART components – 22% increase in spending in these areas since 2018
- IP protection key to securing our competitive advantage



Our market summary and focus for H2 2020

Market trends and VAT focus

- General investment sentiment in semiconductor market expected to remain positive in 2020, first indications suggest growth continuing into 2021
- Service business returning to growth with record order and sales growth in May and June as upgrade business restarts
- COVID-19 pandemic still biggest uncertainty factor: customers focusing on business continuity and readiness for a potential second wave
- VAT continues to focus on innovation and internal efficiency improvements to drive further market share gains and sustainable profitable growth



Full-year 2020 outlook and net sales guidance for Q3

Full-year 2020

- Semiconductor outlook remains positive; strength of recovery depends on macro impact of pandemic
- Assuming no substantial demand deterioration vs. H1, VAT expects FY 2020 net sales¹, EBITDA, EBITDA margin and net income to be substantially above 2019
- Mid-term EBITDA margin target of 33% confirmed
- 2020 capital expenditure at ca CHF 30 million; free cash flow depends on working capital needs, may be lower than 2019

Q3 2020 guidance

- VAT expects net sales¹ of CHF 175-190 million

¹ at constant foreign exchange rates



PASSION.PRECISION.PURITY.

Q&A Session

Information

Investor information

Listing:	SIX Swiss Exchange
Currency:	CHF
Ticker symbol	VACN
ISIN	CH 031 186490 1

Contact information

Michel Gerber
Head of Communications & Investor Relations
Phone: +41 81 772 42 55
E-mail: m.gerber@vat.ch

Financial calendar 2020

Q3 2020 trading update	Friday, October 16, 2020
Capital Markets Day	Wednesday, December 2, 2020

Financial calendar 2021

Full-year 2020 results	Thursday, March 4, 2021
Q1 2021 trading update	Thursday, April 15, 2021
Half-year 2021 results	Thursday, August 5, 2021
Q3 2021 trading update	Friday, October 15, 2021



Forward looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the company to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond the company’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the performance, security and reliability of the company’s information technology systems, political, economic and regulatory changes in the countries in which the company operates or in economic or technological trends or conditions. As a result, investors are cautioned not to place undue reliance on such forward-looking statements.

Except as otherwise required by law, VAT disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was made.